Write your name here	
Surname	Other names
Pearson BTEC Level 3 Nationals Extended Certificate	Learner Registration Number
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Business / Ente and Entreprene	rprise eurship
and Entreprene Unit 3: Personal and Business	Eurship Finance
and Entreprene	Eurship Finance

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and learner registration number.
- Answer **all** questions.
- Answer the questions in the spaces provided
 - there may be more space than you need.
- Show your working when requested.

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
 - use this as a guide as to how much time to spend on each question.
- There are two sections: Section A Personal Finance and Section B Business Finance.

Advice

1/1/1/1/1

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your calculations and the steps you have used.
- Check your answers if you have time at the end.

Turn over ▶



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SECTION A: Personal Finance

Answer ALL questions. Write your answers in the spaces provided.

	You are advised to spend 40–45 minutes on this section.
1	Identify two different types of current accounts.
1	
2	
	(Total for Question 1 = 2 marks)
2	Identify two features of travel insurance.
1	Identify two features of travel insurance.
1	Identify two features of travel insurance.
1	
1 2	
1	

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Outline two advantages to the consumer of using a price comparison website.
(Total for Question 3 = 4 marks)



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There has been recent growth in the use of contactless payments.	
4 Discuss the benefits to consumers of this method of payment.	

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Total for Question 4 = 6 marks)



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Jamie has a full time job earning £400 a week. He has booked a holiday costing £1 400 and he will have to pay for it in full by the end of the month. He does not have enough money to do this at the moment. Usually after paying his bills he has around £100 for personal spending. He is unsure whether to apply for an overdraft or a personal loan to make this payment for his holiday.

Assess whether all overdraft of a perso	onarioan would be better for Janne.

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19	Fotal for Overtion F . 40
	Total for Question 5 = 10 marks)



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Malik wants to buy a house in five years' time. He recently inherited £8 000 which could be used towards a mortgage deposit. He would like to increase the value of his inheritance before he purchases a property. He has no other savings. He feels he could save a further £50 a month. Malik is aware that the interest rates on savings accounts are low and that they may change in the future. He has done some research and found the following financial products.

This table gives some information about products from different organisations.

Provider and product	Interest and charges	Features
QZZ Investments	Charge of £60 plus VAT per annum	Minimum investment £500
Stocks and shares ISA	Dealing charge of 0.2% on sales and purchases	No more than 3 withdrawals a year
	·	Monthly savings facility
	No guaranteed return – previously averaged 7%	Tracks the top 100 UK companies
Devon Building	No charges	Minimum investment £100
Society	1.5% AER return	Instant access
Cash ISA		No notice period
		Variable interest rate
Westshire Bank	1.95% AER return	Minimum investment £5 000
Fixed Rate Bond		No withdrawals for 5 years
		Five-year bond
		End of term bonus £100
		Interest can be withdrawn annually
Ashridge Bank	1.7% AER return	Minimum investment £1 000
Fixed Rate Bond		No withdrawals for 2 years
		Two-year bond
		No bonus
		Interest can be withdrawn monthly

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6 Evaluate which financial products would be the most suitable for Malik.	(12)



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(Total for Question 6 = 12 marks)
TOTAL FOR SECTION A = 36 MARKS
OWE OF SECTION A - 30 MARKS



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SECTION B: Business Finance

Answer ALL questions. Write your answers in the spaces provided.

You are advised to spend 75-80 minutes on this section.

Arabella owns a small business, *Bella's Bean Bags*, making and selling bean bag chairs. Arabella sells these bean bag chairs at various markets each Thursday, Friday and Saturday. She buys the covering material and filling from a wholesaler. She employs a member of staff to make the bean bags.

The bean bags are made and stored in a small rented unit. She uses social media to promote the business.

Arabella regularly sells out her stock and is struggling to keep up with demand. She is looking to expand her business and has asked for your help.

Businesses such as Bella's Bean Bags incur revenue expenditure.

7	Identify two different types of revenue expenditure that a small business is likely to have.
1 .	
2.	
	(Total for Question 7 = 2 marks)
8	Give two examples of capital income that a small business is likely to have.
1.	
2 .	

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Arabella has given you the following financial information:

Bean bag chair size	Weekly production target/sales	Selling price	Materials per bag	Filling per bag
Large	36	£18	£2.75	£3.50

She pays her employee a weekly wage of £190 for 20 hours of work. Each bean bag chair takes 30 minutes to complete. She has annual fixed costs of £3 780.

9 (a) Calculate the variable cost of each large bean bag chair.

(3)

Show your workings

Arabella has a **weekly** production target of 36 bean bag chairs.

(b) Calculate the margin of safety **for the year**.

(4)

Show your workings



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Bella's Bean Bags has completed its first year of trading. The following financial information has been provided for you to complete Bella's Bean Bags statement of comprehensive income.

-

Cash sales	37 596
Cost of materials purchased	13 575
Credit sales	1 500
Discount allowed	120
Rent	2 360
Wages	18 900
Trade payables	2 100
Utilities	381

Additional information

- 1 Bella's Bean Bags has non-current assets of an industrial sewing machine and a trailer which together originally cost £2 835. She has decided to depreciate her non-current assets by 20% using the straight line method.
- 2 Rent of £280 has been paid in advance for the next financial year.



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(c) Complete *Bella's Bean Bags* statement of comprehensive income for the financial year ending 31 December 2016.

(9)

Show	your	workings

Bella's Bean Bags Statement of comprehensive income for the year ending 31 December 2016				
	£	£		
Sales revenue				
Cost of sales	13 575			
Gross profit				
Expenses				
Wages	18 900			
Utilities	381			
Total expenses				

(Total for Question 9 = 16 marks)



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Arabella has been offered a contract with a local retailer to provide 500 small bean bag chairs. The retailer will pay only £12 for a small bean bag chair. Arabella has estimated that it would still take 30 minutes to produce each bean bag chair. She plans to employ a less experienced member of staff who she would pay a lower rate of £8.50 per hour. She would also have the following variable costs for the small bean bag chair:

Bean bag chair size	Selling price	Material per bag	Filling per bag
Small	£12	£2.25	£3.00

10 (a) (i) Calculate the **total contribution for this order** if Arabella accepts this contract.

(3)

Show your workings

(ii) Calculate the gross profit margin **percentage for this order** if Arabella accepts this contract.

(2)

Show your workings

%



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Arabella has approached a different supplier who can supply the materials and fillings more cheaply. Her wage costs remain at £8.50 per hour. It will still take 30 minutes to produce each bean bag chair and she will still be able to sell these small bean bag chairs for £12.

Bean bag chair size	Selling price	Material per bag	Filling per bag
Small	£12	£2.10	£2.90

(b) Calculate the mark-up percentage achieved per bean bag chair if *Bella's Bean Bags* uses this alternative supplier.

(3)

Show your workings			

(Total for Question 10 = 8 marks)

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Arabella has been advised to produce a cash-flow forecast but she is unsure why she needs one. She says that her business is short of money and that she cannot afford to spend extra time doing unnecessary paper work. She argues that she must make sure orders are fulfilled on time and there is enough stock available to meet customer demand.

11 Discuss how useful a cash-flow forecast can be to a small business such as <i>Bella's Bean Bags</i> .		

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(Total for Question 11 = 6 marks)



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Arabella is considering expanding the business by moving to larger premises, buying new machines and employing more staff. She has estimated that this will cost her approximately £100 000. She has no further capital to invest. A friend has suggested that she should consider approaching a venture capitalist to fund the expansion.

12 Analyse the potential impact of using venture capital as a source of finance on a small business.		

20



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(Total for Question 12 = 8 marks)
·



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Arabella is considering accepting a contract from a large retailer called Libby Furniture. She is unsure how the terms of this contract will affect her business. Libby Furniture will place a regular monthly order for 30 large bean bag chairs and 60 small ones. They are insisting on 60 days credit terms. Arabella usually pays her suppliers for all raw materials within 7 days.

13 Assess the potential impact that this new contract could have on a small business

such as <i>Bella's Bean Bo</i>	ıgs.		

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(Total for Question 13 = 10 marks)

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Arabella has obtained the following information from a similar-sized competitor called Comfychair, which has been trading for 4 years. She wants to compare the performance of *Bella's Bean Bags* against that of Comfychair's.

Financial ratios for year ending 31 December 2017

	Comfychair	Bella's Bean Bags
Gross profit margin	36	25
Profit margin	22	9
Inventory turnover	23 days	8 days
Trade receivable days	14	40
Trade payable days	60	7
Liquid capital ratio	0.9	1.2

14	Evaluate, using the ratios provided, the financial performance of Bella's Bean Bags	
	compared to Comfychair's.	
		(12)

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